

SECNAVINST 7320  
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**SECNAV INSTRUCTION 7320.**

From: Secretary of the Navy

Subj: DEPARTMENT OF THE NAVY (DON) PERSONAL PROPERTY POLICIES  
AND PROCEDURES MANUAL

Ref: (a) Department of Defense (DOD) Financial Management  
Regulations (FMR) DoD 7000.14-R, Volume 4, Chapter 6

Encl: (1) DON Personal Property Policies and Procedures Manual

1. Purpose. To establish policies and procedures for the management of personal property within DON to ensure compliance with financial accounting and accountability requirements established by the Chief Financial Officer's Act of 1990, Statements of Federal Financial Accounting Standards, reference (a), and other Department of Defense (DoD) guidance, as delineated in enclosure (1).

a. Personnel assigned responsibility for the custody, accounting and disposition of personal property are required to comply with the provisions of this instruction.

b. Commanders/commanding generals/commanding officers/directors/officers in charge (hereafter referred to as commander(s)) at DON activities may issue supplementary instructions when necessary to address the specific/unique requirements of their organizations.

2. Takes Precedence over. This document takes precedence over NAVCOMPT Manual Volume 3, Chapter 6, and the USMC's Garrison Property Policy Manual (MCO P10150.1) and Consumer-Level Supply Policy Manual (MCO P4400.150E).

3. Personal Property Defined. Personal Property (sometimes referred to as Garrison Property) is defined as those items used, but not consumed, to produce goods or services to support DON's mission and includes: tangible equipment, industrial plant equipment, automated data processing (ADP) equipment, government furnished equipment and other types of assets including leased assets. Personal Property does not include: inventory items (items held for sale in the ordinary course of operations),

operating materials and supplies (consumable items held for use in the normal course of operations), real property (land, buildings and structures), ordnance, weapons, weapons systems (naval vessels, service craft, aircraft, etc.) or items of historical nature. Personal property is classified as: capitalized, minor, and sub-minor. Additionally, personal property may be pilferable, classified or sensitive in nature.

a. Capitalized Property. An asset with an acquisition value equal or greater than \$100,000 that meets all capitalization criteria. Capitalized assets are depreciated based on the asset's useful life and reported on DoD's annual financial statements.

b. Minor Property. Has an acquisition cost equal to or greater than \$2,500 but less than the capitalization threshold. This property is expensed and not reported on DoD's annual financial statements. This property, however, must be recorded in the personal property accountability system.

c. Sub-Minor Property. Property that is below the minor property threshold that does not meet the criteria below for pilferable, classified or sensitive. There are no financial reporting requirements for this property and no mandated accountability requirements except those established at the activity level.

d. Pilferable property. This property must be recorded in the personal property accountability system for accountability purposes. No dollar value threshold is specified. To ensure consistent interpretation and minimize management workload, pilferable is defined as: property that is portable, can be easily converted to personal use, is critical to the activity's business/mission and is hard to repair or replace.

e. Sensitive/Classified property. Items considered sensitive or classified in nature which meet the definition for personal property shall be recorded and managed in the personal property system regardless of dollar value.

4. Discussion. All capital, minor, pilferable, sensitive and classified property that meets the definition for personal property shall be recorded and tracked in a compliant personal property system. This system shall be used in conjunction with the procedures, documentation and management controls outlined in this instruction to ensure accurate financing reporting and accountability of government assets.

5. Policy Updates. These policies and procedures shall be reviewed annually and updated as necessary by the Assistant Secretary of the Navy (Financial Management and Comptroller)

(ASN(FMC)), the Chief of Naval Operations (N41) and Commandant of the Marine Corps (LFS).

6. Responsibilities. The following responsibilities are assigned:

a. *Assistant Secretary of the Navy (Financial Management and Comptroller).* Is responsible for establishing compliant DON policy and procedures for personal property financial reporting and management.

b. *Chief of Naval Operations/Commandant of the Marine Corps.* Is responsible for the implementing and administering personal property policies and procedures to ensure proper management, control and safekeeping of DON assets.

c. *Major Claimants/Activities.* Headquarters activities are responsible for complying with these policies and procedures and for providing oversight for all personal property management within their claimancy. This includes assurance that: inventories are conducted properly/as required, claimancy personal property database data is accurate, asset accountability is maintained and financial reporting of personal property is accurately.

7. Action. This is mandatory for use at all shore-based DON activities. For additional guidance, USMC personnel may refer to the Garrison Personal Property Manual (MCO P10150.1).

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**PERSONAL PROPERTY POLICIES AND PROCEDURES****1. PERSONAL PROPERTY POLICY**

**a. Personal Property Defined.** Personal property includes items used to produce goods and/or services to support DON's mission. Personal property does not include Inventory (i.e., items held for sale in the ordinary course of operations), Operating Materials and Supplies (OM&S) (i.e., items held for use in normal operations and office supplies), and Real Property (i.e., land, buildings, and structures). The terms "Class 3 and 4" Plant Property and Garrison Personal Property are eliminated. Those categories of items, as well as Garrison Mobile Equipment, are now collectively referred to as capitalized personal property provided they meet the capitalization criteria as described below.

**b. Categories of Personal Property**

**(1) General Personal Property.** General personal property consists of capitalized, minor, pilferable, and sub-minor personal property for both the Working Capital Fund (WCF) and the General Fund.

**(a) Capitalized Personal Property.** Personal property that meets **all** of the following capitalization criteria:

1. Has an acquisition cost that is equal to or greater than the DoD capitalization threshold as stated in the FMR, Volume 4, Chapter 6 (currently \$100,000). WCF activities that made acquisitions prior to fiscal year 1996 shall use the capitalization threshold established at the time the personal property was acquired;

2. Has an estimated recovery period equal to or greater than 24 months;

3. Is not intended for sale in the ordinary course of operations; **and**

4. Has been acquired or constructed with the intention of being used, or available to be used by DON in its operations.

**(b) Minor Personal Property**

1. Has an acquisition cost equal to or greater than \$2,500 and less than the DoD capitalization threshold; **or**

2. Has an acquisition cost less than \$2,500 and is determined to be sensitive/classified by the Commander and

3. Has a recovery period equal to or greater than 24 months; or

4. Does not meet all the capitalization criteria.

(c) Pilferable Personal Property. Portable items that could easily be converted to personal use and have been determined by the Commander to be:

1. Critical to fulfilling the activity's mission/business objective; and

2. Hard to repair or replace.

(d) Sub-Minor Personal Property

1. Has an acquisition cost of less than \$2,500 and is **not** determined to be pilferable, or sensitive/classified by the Commander; or

2. Has a recovery period of less than 24 months.

**(2) Personal Property Leases.** Personal property that is leased. Leases are categorized as either capital or operating. (Refer to FMR Volume 4, Chapter 6, revised FMR). All capital leases must be recorded in the personal property system. All operating leases which have minimum annual lease payments  $\geq$  \$2,500 and have lease terms > 2 years shall be recorded in the personal property system.

**(3) Personal Property in the Possession of Contractors.** Personal property either acquired by the Federal Government (Government Furnished Equipment (GFE)) or the contractor (Contractor-Acquired) to be used to complete a Government-sanctioned activity. These items could be National Defense Equipment items.

#### **(4) National Defense Equipment (NDE)**

(a) NDE includes the personal property components of weapons systems, weapons systems support equipment (includes training simulators and other training devices) owned by DON, and vessels held in a preservation status by Maritime Administration's National Defense Reserve Fleet.

(b) NDE does not include inventory, repair parts, or Operating Materials and Supplies (OM&S).



(c) Personal property used by WCF activities shall be categorized as general personal property or leased personal property (when applicable), whether it meets the definition of NDE or not.

**(5) Heritage Assets.** Heritage assets are personal property that are: of historical or natural significance; or of cultural, educational, or artistic importance; or, possesses significant architectural characteristics. Heritage Assets are usually located in museums or registered with the Naval Historical Center or the Marine Corps Museums Branch. Personal Property Heritage Asset categories include the following.

(a) Archaeological Artifacts are items recovered from archaeological research, including surface collection and excavation.

(b) Archival are audio-visual, electronic, text, and other documentation containing information of historical significance or association.

(c) Artwork are objects of decorative or fine art, such as paintings, engravings, sculptures, and furniture noted for aesthetic or representational value.

(d) Historical Artifacts are items with material cultural value acquired by operations, use, gift, loan, or purchase that have historical significance or association to DON history.

### **c. Recording Requirements for Personal Property**

(1) Accountability shall be established from time of receipt for capitalized, minor, and pilferable personal property and shall be recorded and tracked in the Defense Property Accountability System (DPAS), the official personal property system established by DON. No other personal property systems are authorized. However, in cases where an activity has a critical management system that contains some property information that is used for other purposes (e.g., maintenance) and this system has necessary additional functionality not resident in DPAS, the other system may be retained as long as both systems are reconciled at least quarterly

(2) Capitalized, minor, and pilferable personal property that has been disposed of shall be removed from the personal property system at the time of disposal.

(3) Personal property that meets the capitalization criteria shall have depreciation activated on the date of receipt.

(4) Minor, pilferable, and sub-minor personal property shall be expensed when received and shall not be depreciated.

(5) Sub-minor personal property shall be expensed when received and is **not** required to be maintained in the personal property system.

**d. Reporting Requirements for Personal Property.** The depreciated value of all capital assets (including capital leases) recorded in the personal property system will be used for financial reporting purposes on Navy's annual financial statements.

## 2. REQUIRED ROLES AND RESPONSIBILITIES

**a. Commander** - is overall responsible for ensuring that all command personal property is properly maintained, safeguarded, accounted for, and accurately reported.

**b. Personal Property Manager (PPM)** - shall be designated in writing by the Commander and is responsible for: implementing the policies and procedures contained in this instruction, scheduling training for personal property personnel, ensuring personal property system data integrity, and coordinating physical inventories.

**c. Responsible Officers (RO)/ Custodians** - are responsible for ensuring the due care, and safekeeping of personal property assigned to their custody or the custody of those persons reporting to them.

### 3. MANAGEMENT CONTROLS

**a. Management Control Objectives.** Management controls are divided into five categories based on major objectives. These objectives include:

- (1) Accurate financial reporting.
- (2) Accountability of assets.
- (3) Accurate Personal Property System data.
- (4) Proper Personal property asset and Inventory management.
- (5) Compliance with personal property policies and procedures.

**b. Responsibilities.** Personal Property personnel at all levels in the chain of command are responsible for implementing adequate management controls to ensure management control objectives stated above are attained.

**(1) Assistant Secretary of Navy, (Financial Management and Comptroller), Financial Management Office (ASN(FM&C)FMO)**

(a) Collect/review personal property financial information from the Major Claimants on a quarterly basis. If necessary, contact the Major Claimants regarding late or non-receipt of quarterly personal property information.

(b) Review for reasonableness and accuracy.

(c) Identify any errors or unusual events and request Major Claimants to resolve within 30 days.

(d) Compile all personal property financial information submitted by the Major Claimants prior to submission to DFAS.

**(2) Major Claimants**

(a) Are required to establish a personal property management organization within Headquarters that will provide personal property management oversight for the claimancy. This office is responsible for disseminating current personal property guidance and information that includes the latest policies, procedures, standards and mandates established by DoD, DON, Federal regulation and/or the law.

(b) Monitor usage of the claimancy personal property database (may include implementation of additional internal controls) to ensure all activities are using the official personal property system properly.

(c) Compile claimancy financial information on a quarterly basis and submit to the ASN(FM&C)FMO. Request additional information as needed to complete the analysis and compilation of personal property information. Report quarterly, within timeframes established by the ASN(FM&C)FMO, summary/detailed information on all capitalized personal property. The information should be categorized by Automated Data Processing Software, Equipment, Construction-in-Progress (of personal property ONLY), and Other, and include gross acquisition cost, accumulated depreciation, and Net Book Value.

(d) Reconcile personal property financial information from the personal property system with the general ledger account balances. Retain a copy of the summary/detailed personal property information for auditor review.

### **(3) Personal Property Managers**

(a) Schedule and monitor inventories. Ensure all discrepancies have been reconciled and documented, results have been filed in the personal property records, and any adjustments have been correctly entered into the personal property system.

(b) Implement management controls. Ensure the accuracy of data in the personal property system by establishing local controls and by developing and utilizing various management reports.

(c) Control access to the property system. Ensure only authorized personnel are using the system.

(d) Ensure compliance. Disseminate personal property system policies and procedures information to ensure proper usage of system.

(e) Schedule Training. Ensure all new users have been scheduled for training within 30 days of assuming duties and other users have received refresher training as needed.

(f) Establish auditable records. All documentation must be retained as specified in this instruction for auditor review.

#### 4. DOCUMENTATION REQUIREMENTS

##### a. Required Documentation

**(1) Capitalized Personal Property.** Capital personal property (including pushed/sponsored owned and GFE) shall be supported by the Purchase Order (DD 1155); Receiving Report; Vendor Invoices; and other sources that capture and document ancillary costs [paragraph 5a(1)(a) to (j)]. [USMC only: A copy of the receiving documentation for all Capitalized Property and all GME shall be forwarded to Headquarters Marine Corps (LFS).]

(a) Transferred personal property shall be supported by the DD 1149 (Requisition and Invoice/Shipping Document), purchase order, receiving report, vendor invoices, and other appropriate documents.

(b) Capital lease personal property shall be supported by the lease agreement, Lease Determination Worksheet (Appendix E), and Data Element Worksheet (Appendix F).

(c) Donated, exchanged, found, or unsupported capitalized personal property shall be supported by the Similar Assets/Estimated FMV Worksheet (Appendix C).

#### **Exhibit 1 - Summary of Personal Property Documentation and Primary Use**

Documentation	Primary Use
Purchase Order (DD 1155)	Procurement Validation
Receiving Report 1. DD 1155 (Box 26) 2. DD 1348-1A (Box 38) 3. DD 250 (Box 22)	Depreciation activation date
Vendor Invoice	Acquisition Cost
DD 1149	Transfer Form
DD 1348-1A	Disposal

**(2) Minor and Pilferable Personal Property.** Minor and pilferable personal property shall be supported by the purchase order and receiving report. These two documents will provide adequate information for entering the necessary information into DPAS. Operating lease personal property shall be supported by the lease agreement, Lease Determination Worksheet (Appendix E) and Data Element Worksheet (Appendix F).

**(3) Externally Developed Software.** Externally developed software shall be supported by the original copy of the site license agreement at the Information Systems Management Office (ISMO). A copy of the site license agreement shall be maintained with the PPM until the software is no longer in use.

**(4) Personal property subject to litigation** shall be supported by all related supporting documentation (i.e., litigation documents).

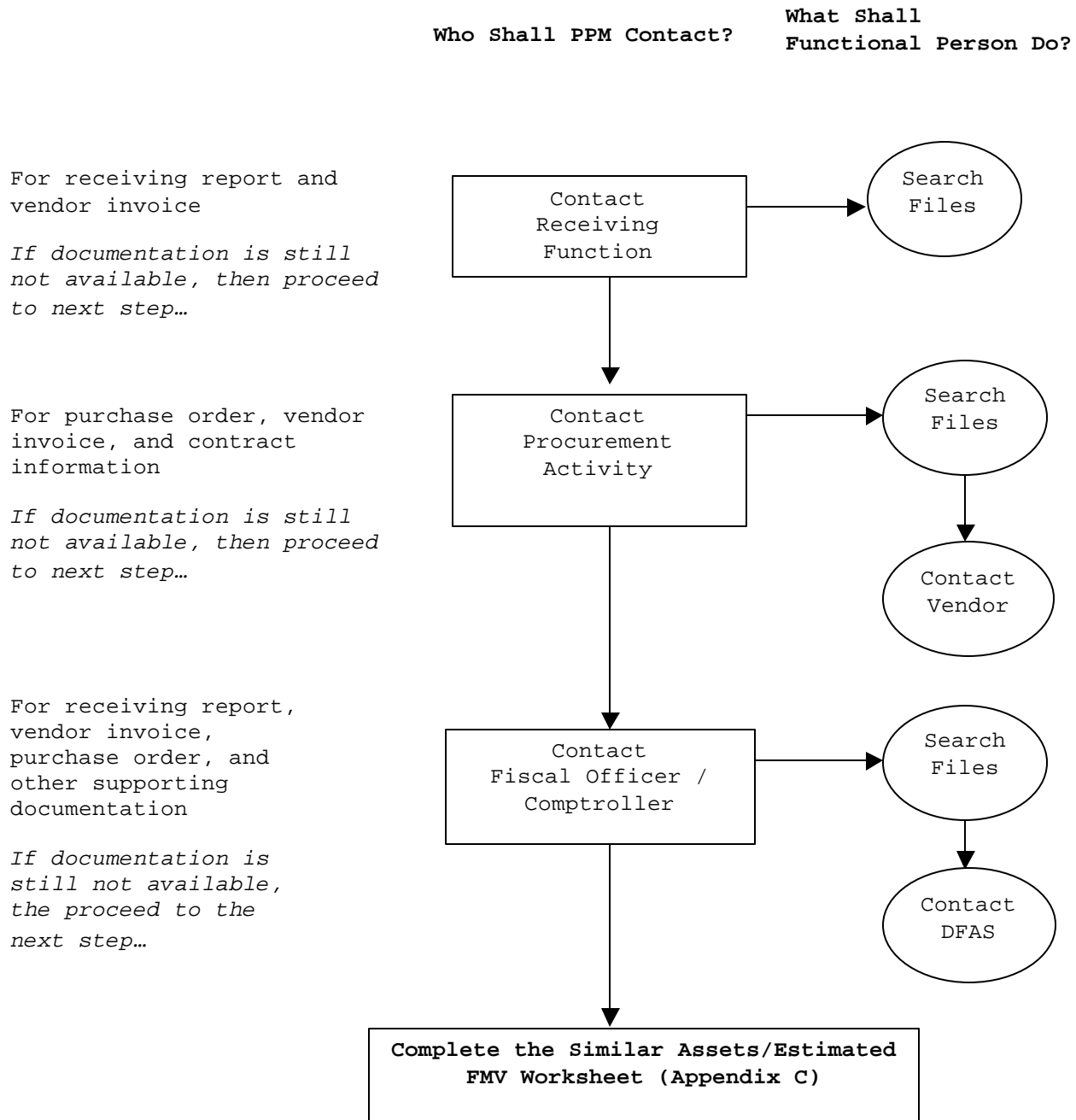
**(5) Heritage Assets.** Heritage assets shall be supported by the (1) Deed of Gift, (2) Incoming Receipt Report, (3) Loaned Heritage Asset Agreement, (4) Catalog Worksheet, (5) Exhibition History Report, and (6) Photograph(s) of the Heritage Asset.

**(6) Transferred-Out personal property** shall be supported by the DD 1149 (Requisition and Invoice/Shipping Document) and a copy of all the other applicable supporting documentation.

**(7) Disposed personal property** shall be supported by the DD 1348-1A (Issue Release/Receipt Document).

**b. Retention Requirements.** Documentation for capitalized, minor, and pilferable personal property shall be maintained for property currently in the possession of DON and for a period of 36 months after disposed/transferred out. If the item is transferred out, then a copy of the documentation shall be maintained on file at the originating activity. The original documentation shall be sent to the receiving activity.

**c. Missing Documentation.** If the financial records are not available or could not be obtained for any transaction type, the PPM shall proceed as noted in Exhibit 2.

**Exhibit 2 - Missing Documentation**



**d. Filing Procedures for Capitalized and Minor Personal Property**

**(1) General Documents.** The PPM is responsible for ensuring required documentation (including the signed custody card) is retained for capitalized and minor personal property (paragraph 4a).

**(2) Inventory Documents.** The PPM shall file physical inventory documentation along with all other personal property documents. The physical inventory documentation shall include a copy of the physical inventory detail listing that reflects all adjustments (paragraph 6e)

**(3) Documentation to Substantiate Adjustments.** Any adjustments made to the personal property records shall be supported by applicable documentation (e.g., found items - purchase order, receiving report; lost, stolen, missing items - DD 200) and filed with the general documentation.

**e. Filing Procedures for Heritage Assets**

**(1)** Activities and museums that have numerous Heritage Asset items shall maintain and account for all information and correspondence related to each Heritage Asset item in a centralized document file and a centralized card or automated catalog specially designed for Heritage Assets.

**(2)** The PPM responsible for Heritage Assets shall file the physical inventory documentation along with the documents listed in paragraph 4a(5).

## 5. REQUIRED FINANCIAL DATA ELEMENTS

### a. Acquisition Cost and Depreciation Activation Date

**(1) Acquisition Cost.** Includes all costs paid to acquire and bring the personal property to its form and location suitable for its intended use. Any additional costs (i.e., ancillary costs) that are identifiable (i.e., included on the invoice) and, in management's opinion, significant, should be included in the cost of the personal property. The following are examples of additional costs:

- (a) Handling and storage costs;
- (b) Labor and other direct or indirect production costs (for constructed personal property);
- (c) Legal and recording fees, and damage claims;
- (d) Installation costs;
- (e) Engineering, architectural, and other outside services for design, plans, specifications, and surveys (for constructed personal property);
- (f) An appropriate share of the cost of the equipment and facilities used in construction work (for constructed personal property);
- (g) Direct costs of inspection, supervision, and administration of construction contracts and construction work (for constructed personal property);
- (h) Fair value of equipment donated to the government; and
- (i) Material amounts of interest costs paid (for constructed personal property).

**(2) Acquisition Cost Estimates.** Cost estimates shall be based on similar assets only when the acquisition cost is unknown, source documentation is unavailable, and a similar asset exists. If a cost estimate is required for an acquisition, the PPM shall proceed as follows:

- (a) Locate a similar asset (the personal property database can be used).
- (b) Determine if the assets have similar model years.
- (c) If the previous two criteria are met, then:

1. Obtain a copy of the supporting documentation and document on a Similar Assets/Estimated FMV Worksheet (Appendix C) why the assets are comparable.

2. To assign an acquisition cost, review the documentation for cost information, estimated recovery period, and estimated net residual value (capitalized personal property only), specifications, and other pertinent information (method of acquisition, nomenclature, and description of function).

3. The estimated acquisition cost may be based on (1) the cost of similar assets at the time of acquisition or (2) the acquisition costs of similar assets, taking into consideration changes in the Consumer Price Index between the date the item was acquired and the date the similar asset was acquired.

(d) If a similar asset cannot be located, determine the personal property's fair market value (FMV) from either the vendor quote, the catalog price (if the item has a National Stock Number), or the GSA schedule. Document the information on the Similar Assets/Estimated FMV Worksheet (Appendix C).

(e) In the event that the FMV is not included within the source documents described above, and therefore still not determinable, document the justification for the estimated FMV on the Similar Assets/Estimated FMV Worksheet (Appendix C).

**(3) Depreciation Activation Date (Acquisition Date).**

This is the date that depreciation starts for capitalized personal property. For record keeping purposes the receipt date, which is documented on the receiving report, should be used. For constructed personal property or improvements, the depreciation activation date is the acceptance date. If the receipt date is not known, the PPM shall use either the shipping date, inspection date or procurement date, respectively, to determine the depreciation activation date.

**b. Depreciation and Recovery Periods.** The depreciation period is the expected useful life that a personal property item can provide benefit to the activity. The recovery period is the estimated useful life.

**(1) General Fund Depreciation Methodology.** Depreciation for general fund capitalized personal property shall be calculated using the straight line half-year convention method.

(a) Depreciation shall cease to be recorded when one of the following occurs:

1. Accumulated depreciation equals the depreciation base of the capital asset [paragraph 5b(3)];
  2. The item is disposed of/transferred out;
  3. The item is identified as excess or obsolete;
- or
4. The item is damaged and the activity plans to dispose of the item (i.e., item not usable).

(b) Depreciation shall continue for personal property items temporarily removed from service.

**(2) WCF Depreciation Methodology.** Depreciation for working capital fund capitalized personal property shall be calculated using the straight line half-year convention method.

**(3) Depreciable Base.** The depreciable base for personal property shall equal the acquisition cost of the item less the net estimated residual value.

**(4) Net Estimated Residual Value.** The net estimated residual value is the estimated residual value **less** any disposal costs incurred. The residual value is the estimated value remaining at the end of the capitalized personal property's estimated recovery period, which DON expects to recover. Disposal costs are costs incurred to dispose of an asset.

(a) If DON activities **do NOT expect to sell** the personal property because the item is transferred to Defense Reutilization and Marketing Outlet (DRMO), or **the net estimated realizable value is less than 10 percent** of the acquisition cost, then the PPM shall record the residual value at zero.

(b) If DON activities **do expect to sell** the personal property, and the residual value **will exceed** 10 percent of the acquisition cost, the PPM is requested to estimate the residual value and disposal costs. The disposal costs shall be subtracted from the residual value. The total estimated residual value less estimated disposal costs is the Net Estimated Residual Value.

(c) All research documentation that supports the net estimated residual value and recovery period shall be attached to the Estimated Residual Value Worksheet (Appendix D).

**(5) Recovery Period for General Property, Plant and Equipment (PP&E)**

(a) DoD recovery periods for DoD general depreciable assets (excludes National Defense PP&E and Heritage Assets).

Description of General PP&E Assets	Recovery Period
General Purpose Vehicles (Includes Heavy Duty Trucks & Buses); ADP Systems and Hardware (Computers and Peripherals); High Tech Medical Equipment; Equipment Used in Research, Development, Test and Evaluation (RDT&E); Radio and Television Broadcasting Equipment; and Software**  Improvements to 5-Year Recovery Period Property (Personal Property)	5 Years*
All Other Equipment and Machinery, and Software**  Improvements to 20 Year Recovery Period Property	10 Years
Vessels, Tugs, Barges and Similar Water Transportation Equipment (Non-National Defense PP&E vessels/ships), Steam (12.5K pounds per hour or more) and Electric Generation Equipment (500 Kilowatt or more), Sewers and Other Utilities (including such things as fiber optic cable)	20 Years

\* A recovery period of less than 5 years is permitted based on local discretion when the acquiring DoD Component is certain that the useful life of an asset is at least 2 years but less than 5 years. In such circumstances, the recovery period shall be the known useful life (2-4 years, as appropriate).

\*\* Depending on the nature of the software, it may be depreciated over a period of less than 5 years, 5 years, or 10 years. The determining factor should be the actual estimated useful life of the software consistent with that used for planning the software's acquisition.

(b) Changes or revisions in the initial estimates of the recovery period shall be treated prospectively in current and future periods. This is applicable only if activity discovers at a later date that the incorrect recovery period was used; thus, an adjustment to the proper recovery period is necessary. No changes shall be made retroactively to previously recorded depreciation.

## 6. LOGISTICS INFORMATION

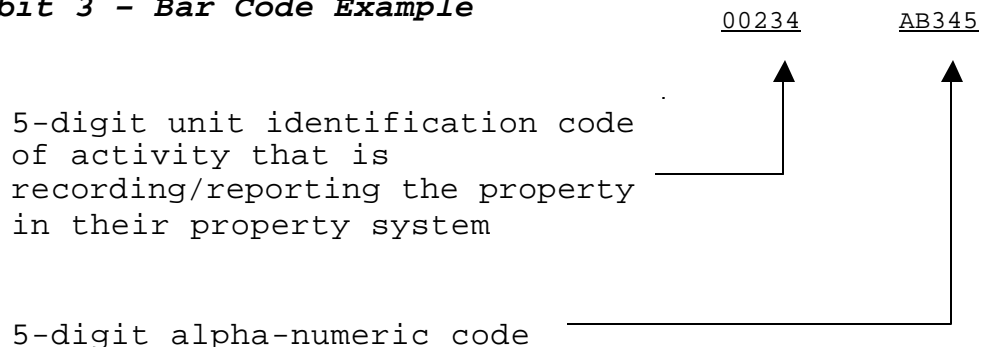
**a. Receiving.** The person who initially receives an asset is required to sign and date a receiving document to establish the accountability start date for that asset. To ensure that accountability is continuously maintained for every asset after it is received, local procedures must be established to ensure new assets are recorded into DPAS as quickly as possible and within 7 calendar days.

### **b. Bar Coding**

**(1) DON Bar Coding Policy.** All personal property recorded in the personal property system shall be bar coded within 15 business days of receipt. Even items that cannot be physically barcoded (e.g., satellites) should still have a barcode number assigned to them.

(a) Bar codes shall be 10 digits in length. The first five digits shall be the activity's Unit Identification Code (UIC) minus the Service Code, and the next five digits shall be a unique alpha-numeric code assigned by the UIC [except for USMC as described in paragraph 6b(2)].

#### ***Exhibit 3 - Bar Code Example***



(b) The PPM shall maintain a barcode control listing which may be in a manual or electronic format. This record will be used to track and monitor bar code numbers issued, not issued, and reused, to ensure there is no duplication of numbers.

(c) Bar code numbers may be reused 36 months after the disposed personal property item has been removed from the personal property system.

(d) When personal property is **transferred** from another Federal agency, the old bar code shall be immediately removed and replaced with a new bar code.

(e) If the item is borrowed from (on **loan from**) another Federal agency, then the original bar code shall be maintained on the personal property item to ensure that the personal property item is properly identified as a loaned item.

(f) Sponsor-owned property barcodes should reflect the UIC of the activity that has custody and uses the item not the activity that purchased it.

**(2) USMC Bar Coding.** Headquarters Marine Corps (HQMC) (LFS) shall provide instructions for the configuration of the last five digits of the bar code and will assign bar code for all Garrison Mobile Equipment (GME).

**c. Physical Inventory of Assets.** Physical inventories are time consuming and resource intensive but when performed properly, ensure that asset information in the personal property system is accurate. All physical inventories are required to include a comparison of the personal property records to the physical assets (i.e., book-to-floor) and the physical assets back to the personal property records (i.e., floor-to-book) to ensure all items are included in the personal property records. Inventories that are not conducted in this manner are not compliant and management may require the inventory be performed again using correct procedures.

**d. Physical Inventory Frequency.** PPMs shall ensure that physical inventories are performed as follows:

(1) At least once every three years for: capitalized, minor, pilferable personal property, and Heritage Assets;

(2) At least annually for NDE, Government Furnished Equipment, and equipment on loan;

(3) At the end of a contract for contractor-acquired personal property;

(4) When there is a change in the personal property officer, custodians, Commander, etc.; and

(5) As directed by the Commander. A special physical inventory may be necessary if there is evidence of forced or unlawful entry or upon the discovery of open or an unattended storage area.

**e. Physical Inventory Documentation.** Physical inventories shall be documented and the documentation shall be maintained, at a minimum, until the next physical inventory is completed. Documentation shall include the following:

- (1) The asset listing as of the physical inventory date;
- (2) Documentation of the physical inventory count;
- (3) Adjustments made and the documentation supporting the resolution of adjustments;
- (4) Signatures of those who conducted the physical inventory; and
- (5) Evidence that book-to-floor and floor-to-book procedure were followed.

**f. Physical Inventory Preparation**

**(1) The PPM shall:**

(a) Initiate the physical inventory process in cooperation with the Responsible Officer (RO). However, the RO shall **NOT** be involved in conducting the physical inventory of the personal property under his/her responsibility. Another RO may perform physical inventories without affecting independence.

(b) Provide colored stickers, chalk, or some other method to mark personal property as it is counted.

(c) Assign teams to conduct the physical inventory. Personnel assigned to the teams shall be **independent** of the RO.

(d) Assign an Inventory Validation Team Leader.

(e) Verify that every member of the inventory validation team obtains and reviews a copy of the Physical Inventory Procedures.

(f) Provide the most recent copy of the personal property database detailed listing from the personal property system to the Physical Inventory Validation Team Leader. The listing shall include, if applicable: a description of the item, the serial number, the plant or minor personal property number, the make, model, year, acquisition cost, depreciation activation date, the location of the item, and the barcode number.

**(2) The RO shall:**

(a) Control the additions, deletions, and movement of personal property items being counted during the physical inventory process.

(b) Participate in inventories as assigned by the PPM.



(c) Segregate all personal property items that do not fall under DON's visibility or are not considered general personal property to avoid including them in the physical inventory count.

**(3) The Inventory Validation Team Leader shall:**

(a) Assign individual team members to perform the physical inventory.

(b) Provide applicable sections of the physical inventory listing to the individual team members.

(c) Ensure that all team members sign the physical inventory documents, as appropriate.

(d) Answer the team's questions during the physical inventory process.

(e) Ensure the inventory validation team is aware of all possible sites/locations where personal property could be located. Teams should look for inventory at locations during the physical inventory that may not be currently on the inventory records.

(f) Remind teams that they are required to record ALL (both capitalized and minor personal property) items in their respective inventory sites.

(g) Sign and forward physical inventory documentation to the RO and discuss any variances between the physical inventory worksheet and the physical inventory records with the RO.

**g. Conducting the Physical Inventory.** The Inventory Validation Teams shall ensure the existence and validate the condition of all items on the personal property database detailed listing (annotate with a one or zero once existence is verified) and confirm the accuracy of the data (e.g., description of the item, serial number, barcode number, make, model, manufacture year, and location). Missing information should be annotated on the inventory worksheet.

**(1) Validate Data in Personal Property Database.** Review the acquisition cost and date and document if they appear unreasonable based on observing the item.

**(2) Annotate Missing Barcode Numbers.** If an item does not have a barcode number, then document this on the personal property listing and notify the PPM.

**(3) Asses Asset Condition.** Note the condition of the personal property item (new, operational, under repair, damaged, unusable, or obsolete) on the physical inventory worksheet.

(a) If the personal property item is determined to be unusable or obsolete, complete the DD 1348-1A (Issue Release/Receipt Document) and forward to the PPM for disposition.

(b) If the personal property item is under repair or damaged, determine if the equipment can be economically returned to an operational status. If not, request the RO to consider the item unusable and initiate survey procedures using the DD 200 (Financial Liability Investigation of Property Loss).

(c) If the personal property item is reported missing, DD 200 (Financial Liability Investigation of Property Loss) should be submitted.

**(4) Mark the Item after Validation.** Mark the item after it has been validated using a sticker, chalk mark, or other means to prevent double counting and ensure that all items were counted during the physical inventory.

**(5) Submit Results to the Inventory Validation Team Leader.** Upon completing the physical inventory, the team member shall submit the results of the physical inventory to the Inventory Validation Team Leader. The team member who performed the validation shall sign and date each physical inventory validation sheet.

**(6) Physical Inventory of Personal Property that could not be bar coded or sighted.** The PPM shall validate all personal property that could not be bar coded due to its nature (e.g., satellites, software, telecommunications systems, etc.) during the physical inventory process. The PPM shall contact the RO who has cognizance over the item to determine the status.

(a) If the item is still in use or is still operational, then document on the personal property detailed listing that the items were validated and assign a bar code number in accordance with DON personal property policies and procedures.

(b) If the RO indicates the item is not in use or operational, or is not aware of the item (i.e., does not exist), take action to dispose of the item by initiating the survey process and generating a DD 200 (Financial Liability Investigation of Property Loss).

**h. Found Items.** At the conclusion of the physical inventory, document all items that exist but were not on the inventory listing (i.e., personal property items not marked with a sticker, chalk, or other means.) Add these items to the physical inventory listing. Additionally:

(a) Attempt to locate documentation for the personal property item; perform research to find out from where the personal property item came from; and determine whether it belongs to the unit in whose area it was found.

(b) If the asset does belong to the unit, the PPM shall ensure that the item is bar coded in accordance with DON personal property policies and procedures and entered into the personal property system.

**i. Physical Inventory Reconciliation**

**(1) The Inventory Validation Team Leader shall:**

(a) Compare the results of the inventory to the personal property records.

(b) Conduct a recount and validation of all items that had discrepancies during the original physical inventory count. Employees who made the initial physical inventory validation may not perform the revalidation. Discuss any variances between the physical inventory validation sheet and the physical inventory records with the RO and determine proper disposition of the personal property item.

(c) Ensure that all team members sign the physical inventory paperwork.

(d) Provide the RO with a list of all discrepancies. Obtain the RO's signature and forward to the PPM.

**(2) The RO shall:**

(a) Research and resolve all discrepancies within one month after the physical inventory validation.

(b) Obtain supporting documentation for any adjustments to the physical inventory listing, including valid transfer forms (DD 1149 - Requisition and Invoice/Shipping Document), donation letters, purchase invoices, receipt documents (DD 250 - Material Inspection and Receiving Report), and disposals [DD 1348-1A (Issue Release/Receipt Document)].

(c) Complete a DD 200 (Financial Liability Investigation of Property Loss) for items that are missing,

stolen, lost, etc. and forward via the PPM to the Commander for signature. DD 200 should be signed and approved by the Commander unless it is sub-minor property that is not pilferable.

**(3) The PPM shall:**

(a) Review the physical inventory for completeness.

(b) Ensure all discrepancies are completely researched.

(c) Ensure all additions and deletions resulting from the physical inventory are entered into the personal property system (i.e., the records are updated) and substantiated by documentation that has been signed and placed in the property files as required.

(d) Maintain a physical inventory file that contains the signed physical inventory worksheets, a summary of discrepancies, a copy of all applicable documentation cross-referenced to the summary, and a copy of the final reconciled inventory.

(e) Review, make recommendations as appropriate, and forward all DD 200s that are minor, capital or pilferable personal property (Financial Liability Investigation of Property Loss) to the Commander for signature together with items listed below:

1. A physical inventory summary of adds and deletes.

2. A physical inventory completion letter for Commander's signature to be submitted to the major claimant/HQMC. This letter should state the date inventory was completed, the reason for the inventory (e.g., triennial) and that the inventory was performed in accordance with the procedures contained in this instruction which require a book-to-floor and floor-to-book validation.

(f) A copy of the signed Physical Inventory Completion Letter and the signed DD 200's should be returned to the PPM to be retained in the property files.

## 7. PERSONAL PROPERTY END ITEM INCREASES

**a. Transferred-In Personal Property.** Transferred-in personal property represents assets that DON receives from other DON activities, other DoD activities, or other federal agencies. Transferred-in personal property items that meet the capitalization criteria shall be recorded as capitalized personal property and depreciated over the remaining estimated recovery period of the asset.

### (1) Acquisition Cost and Depreciation Information:

	Items received from <b>other DON or DoD activities</b>	Items received from <b>other federal entities</b>
Acquisition Cost & Accumulated Depreciation	Obtained from the other DON/DoD activity	Recorded at Net Book Value (NBV) [acquisition cost - accumulated depreciation]
Depreciation Activation Date	Date item was received	Date item was received
Depreciation Period	Remaining estimated recovery period	Remaining estimated recovery period
Supporting Documentation	Documentation to support asset's original cost, accumulated depreciation, and estimated recovery period	Documentation to support asset's NBV and remaining estimated recovery period

(a) If the acquisition information and related accumulated depreciation **are not** available, then the acquisition value shall be estimated and recorded at the item's fair market value when received. The Similar Assets/Estimated FMV Worksheet (Appendix C) shall be completed to document the estimated FMV. If the FMV of the asset meets the capitalization threshold, then the item shall be depreciated and the depreciation activation date will be the date the item was received. The accumulated depreciation shall be zero.

(b) If the acquisition information and related accumulated depreciation are available from the transferring entity, the PPM shall use that information to substantiate data entered into the property system. Depreciation shall continue on capitalized personal property assets even if the transferred asset has a current NBV below the capitalization threshold.

**(2) Receiving.** To ensure proper accountability and financial reporting of transferred property, the PPM and receiving personnel must establish local procedures to ensure that all documentation is received, receipt date is documented,

the item is barcoded (paragraph 6b) within 15 business days and entered into the property system within 7 calendar days.

**(3) Missing Documentation.** If the original applicable source documentation (i.e., purchase order, vendor invoice, and receiving report) are not available, then the DD 1149 may be accepted as proper documentation, provided all applicable information (i.e., acquisition cost, depreciation activation date, and cost recovery period) are documented on the form. For USMC, upon receipt of capitalized GME, a copy of the receiving and transfer documents shall be forwarded to HQMC (LFS).

**(4) Bar Coding.** Transferred in items should be relabeled with a new bar code from the gaining activity. The old bar code should be discarded.

**b. Pushed/Sponsor-Owned Personal Property.** Personal Property that is purchased by one DOD activity and used by another is known as pushed/sponsor-owned property. General Fund **and** Working Capital Fund Activities shall treat this property as transferred-in personal property per paragraph 7a.

**c. Loaned Personal Property.** Personal property shall only be loaned if the law specifically authorizes it.

**(1) General Personal Property.** The PPM shall prepare a personal property pass before loaning out personal property. The personal property pass, GSA Optional Form 7 or equivalent, shall have the name, description of the item, barcode number, the location of the recipient of the loaned personal property, and be placed in the personal property file.

**(2) Heritage Assets.** A Loaned Heritage Asset Agreement shall be completed and included with the object(s) before entering museum custody for exhibition or long-term arrangement. This agreement describes the object(s) to be lent, the lender, the borrower, terms and conditions of the loan, expenses to be paid by the lender or borrower, and the term of the loan.

**(3) Management of Loaned Property.** Personal property loaned to others shall be recorded in the personal property system and separately identified as loaned personal property. This loaned personal property must be inventoried annually by the borrowing activity. All adjustments to the inventory listing must be supported by documentation provided by the borrowing activity.

**(4) Bar Coding.** To facilitate identification, the bar code shall not be removed from the loaned personal property item.

**d. Constructed Personal Property.** Personal property that is constructed for use in DON operations is known as constructed property.

(1) The cost of constructed personal property shall include direct and indirect costs to construct the personal property and be recorded as construction progresses. It shall be recorded in the applicable Construction-in-Progress (CIP) general ledger account until it is placed in service, at which time the accumulated balance shall be transferred to the applicable personal property general ledger account.

(2) If the asset meets the capitalization threshold, the depreciation activation date shall be the date the item is received (i.e., acceptance date).

(3) **Documentation - Progress Certifications.** The Contracting Officer or designate shall gather all incremental invoices received from the vendor and other related costs and forward the CIP costs summary worksheet summarizing all the costs incurred to date, to the PPM semiannually (March 31 and September 30). The Contracting Authority is also responsible for reconciling the costs summarized on the CIP costs summary worksheet with the supporting documentation. The PPM shall record the total cost incurred to date in the personal property system as a CIP personal property item and maintain the copies of the CIP costs summary worksheets.

(4) **Completion of Construction.** The Contracting Authority or designate shall forward all documentation (i.e., invoices, purchase order, receiving reports, etc.) to the PPM upon completion of the constructed item. In addition, the contracting authority is responsible for ensuring all the documentation provided to the PPM is reconciled to the CIP summary spreadsheets. The PPM shall transfer the CIP costs incurred throughout the project to a completed asset in the personal property system upon completion of the project.

**e. Donated and/or Exchanged Personal Property.** Personal property that DON receives from and distributes to non-Federal entities.

(1) **Donated Property.** The receiving activity shall record the asset at the fair market value at the time of exchange which should be documented in the Similar Asset/Estimated FMV Worksheet (Appendix C). The depreciation activation date is the date the item was received. Depreciation period is the remaining estimated recovery period. The supporting documentation supports the asset's estimated FMV and remaining estimated recovery period.

## (2) Exchanged Property

(a) If cash is included in the exchange, the cost of personal property acquired shall be increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received.

(b) If the estimated FMV of the personal property acquired is more readily determinable than that of the cost or FMV of the personal property surrendered, the cost shall be the fair market value of the personal property acquired.

(c) If the estimated fair market value is not determinable for either asset, the cost of the personal property acquired shall be the cost recorded for the personal property surrendered, net of any accumulated depreciation or amortization.

(d) Any difference between the net recorded amount (acquisition cost less accumulated depreciation) of the personal property surrendered and the cost of the personal property acquired shall be recognized as a gain or loss.

## (3) Documentation

(a) The PPM shall obtain the receiving report and any related transportation documentation.

(b) The PPM shall obtain and retain research documentation justifying the fair market value (FMV) calculation.

**f. Foreign Government Provided Equipment (FGPE).** FGPE includes items provided by a foreign government/host country, an international organization (e.g., the North Atlantic Treaty Organization), procured with funds from a foreign government/host country or an international organization, or confiscated during a military operation.

(1) The items must meet all of the following criteria to be classified as FGPE:

(a) The personal property is used without reimbursement to the host nation,

(b) DON controls access or use of the personal property,

(c) The use of the personal property is for an unspecified length of time, and

(d) DON maintains and repairs the personal property.



(2) FGPE that meets the criteria for general personal property should be accounted for and reported in accordance with this instruction.

**g. Seized/Forfeited Personal Property.** Seized/forfeited personal property is personal property that DON seizes or confiscates as part of its mission. The acquisition value for personal property acquired through seizure/forfeiture shall be recorded at the estimated FMV less any claims at the time of seizure and shall be accounted for in DON's personal property records until the personal property is forfeited, returned, or otherwise liquidated. The estimated FMV at time of seizure/forfeiture should be documented using the Similar Asset/Estimated FMV Worksheet (Appendix C). No financial value shall be recognized for forfeited personal property items that cannot be sold due to legal restrictions, but may be either donated or destroyed. The PPM shall obtain the receiving and transportation documentation.

**h. Damaged, Excess, Impaired, or Obsolete Personal Property.** Damaged, excess, impaired, or obsolete personal property shall be recorded at its net realizable value (NRV).

(1) **Gains/Losses.** Any difference in the NBV of the personal property and the expected NRV shall be recognized as a gain or loss in the period of adjustment and shall be adjusted at the end of the fiscal year. Any further adjustments in value shall be recognized as a gain or loss.

(2) **Depreciation.** No additional depreciation shall be taken on capitalized personal property identified as excess or obsolete but shall continue for damaged capitalized personal property that is temporarily removed from service and is repaired.

**i. Improvements.** Improvements represent additional costs to an asset, regardless of funding source.

(1) The acquisition cost for improvements shall include the costs of the improvement plus the costs incurred to bring the improvement to a form and location suitable for its intended use. Ancillary costs shall be included in the acquisition cost when they are identifiable and considered significant by management.

(2) **Capitalized Improvements.** Costs to improve personal property shall be capitalized, regardless of funding source, when:

(a) The improvement meets the capitalization criteria; and

(b) The improvement increases the personal property asset's capacity, size, efficiency, or estimated recovery period. Examples may include Equipment Upgrades and Equipment Service Life Extensions. Improvements that do not increase an asset's capacity, size, efficiency or useful life regardless of cost or funding sources are defined as repairs and are expensed.

(c) Capitalized improvements shall be capitalized and depreciated separately from the personal property asset that was improved but shall be linked to the original personal property in the personal property system.

(d) The depreciation activation date shall be the date the item is received (i.e., acceptance date) and the item is placed in to service (i.e., the improvement is complete).

**(3) Recovery Period of Capital Improvements.** The recovery period of capital improvements shall be based on the estimated useful life as a result of the improvements being made. Depreciation shall be calculated and recorded in accordance with the depreciation instructions noted in paragraph 5b.

**(4) Leasehold Improvements.** Improvements to leased personal property (paragraph 7i) that meet the capitalization criteria (paragraph 1b(1)(a)) shall be capitalized and depreciated, over the shorter of the term of the lease or the estimated remaining recovery period. Improvements to leased personal property that do not meet the capitalization criteria (i.e., minor or sub-minor personal property improvements) shall **not** be capitalized/depreciated but expensed.

**(5) Non-Capitalized Improvements.** Improvements that do not meet the criteria for capitalization but meet or exceed the minor property threshold shall be recorded in the personal property system and substantiated with documentation.

**(6) Repairs Expense.** Improvements to personal property that **do not** increase an asset's capacity, size, efficiency, or recovery period, regardless of the cost or funding source of the improvement, are defined as repairs and shall be expensed.

**j. Bulk Purchases.** Personal Property that is purchased in large lots (i.e., multiple single items acquired simultaneously) that individually meet the capitalization criteria shall be capitalized and individually recorded in the personal property system in accordance with capitalized asset personal property policies. Personal property items purchased in bulk that **do not** individually meet the capitalization criteria, but have a per item cost of equal to or greater than \$2,500 shall be recorded individually and maintained in accordance with the minor personal property policies (paragraph 1b(1)(b)).

**k. Leases.** Leases can be either operating or capital leases based on whether they meet the criteria below. Lease determination requires full knowledge of the terms of the lease and shall be made by the contract authority and provided to the PPM for proper recording in the property system.

**(1) Capital Leases for Personal Property**

(a) For a lease to be classified as a capital lease, the lease must meet the capitalization threshold (paragraph 1b(1)(a)) and satisfy at least **ONE** of the following criteria:

1. The lease transfers ownership of the personal property to the lessee by the end of the lease term.

2. The lease contains an option to purchase the leased personal property at a bargain price.

3. The lease term (non-cancelable portion plus all periods, if any, representing renewals or extensions that can reasonably be expected to be taken) is equal to 75 percent or more of the estimated economic life of the leased personal property.

4. The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of the fair market value of the leased personal property. The lessee shall compute the present value of the minimum lease payments using the Treasury Average Interest Rate for Marketable Interest-Bearing Debt. The activity can obtain this interest rate for the length of the lease (i.e., lease term) from the Treasury. It should be noted that there may not be an applicable interest rate issued by the Treasury for the term of the lease. Therefore, a documented estimate shall be used.

(b) The last two criteria of paragraph 7k(1)(a) are **not** applicable when the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased personal property. Leases not meeting the aforementioned criteria are considered operating leases.

(c) The acquisition cost of personal property acquired under a capital lease shall be the lesser of the net present value (NPV) of the lease payments or the FMV of the asset. The NPV should exclude the portion of payments representing executory costs such as insurance, maintenance and taxes paid to the lessor. If the executory portion of the payment is not known it should be estimated.

(d) DON shall compute the NPV of the minimum lease payments using its incremental borrowing rate, however, the implicit rate shall be used only if both of the following conditions are met:

1. It is feasible for DON to obtain the implicit rate computed by the lessor; and

2. The implicit rate computed by the lessor is less than the Treasury Average Interest Rate for Marketable Interest Bearing Debt.

(e) The depreciation activation date shall be the date the lease goes into effect.

**(2) Operating Leases for Personal Property.** Operating leases for personal property **do not** transfer the risk of ownership to DON. Therefore, operating leases shall be expensed as incurred and shall not be reported as capital personal property. The leased personal property shall be accounted for and recorded in the personal property system according to the minor personal property and operating lease accounting requirements.

**(3) Lease Modifications.** Once a lease has been entered into between DON and an outside party, there are five conditions under which it will be necessary to modify the existing lease arrangement: (1) the lease expires, (2) the lease is canceled, (3) the lease terms have been modified, (4) the lease options are exercised or (5) the lease options are not exercised.

## 8. PERSONAL PROPERTY END ITEM DECREASES

**a. General Criteria.** When personal property is transferred, disposed of, retired, or removed from service, the personal property including the acquisition cost, the related accumulated depreciation, and all other relevant information shall be removed from the personal property system. [For USMC only: A copy of the disposal or transfer documentation for all Capitalized Personal Property and all GME shall be forwarded to Headquarters Marine Corps (LFS).]

**b. Transferred-Out Personal Property.** Transferred-out personal property includes personal property that DON gives to other Federal entities.

(1) When property is transferred, the activity shall remove the property item from the property system, but shall **NOT** record any gains or losses realized from the sale, donation, or disposal with Federal and non-Federal entities.

(2) Disposals. Personal property transferred to DRMO for disposal shall be recorded as a transferred-out personal property item.

(3) **Documentation.** The original vendor invoice and DD 1149, plus any other historical asset records shall be sent to the receiving activity's PPM. Copies of documentation for transferred-out property shall be retained for 36 months after transfer/disposal.

(4) **BRAC Activities.** For disposition of all Base Realignment and Closure (BRAC) property, BRAC policies and procedures guidance issued by the Secretary of Defense should be followed. Personal property received resulting from a BRAC closure shall be treated in the same manner as any other personal property transferred in. Any gains or losses resulting from the receipt of BRAC personal property shall be recorded.

### c. Disposals

(1) **Documentation.** The PPM shall complete one of the following disposal forms depending on the asset's condition:

(a) DD 1348-1A (Issue Release/Receipt Document) is used for personal property that is declared obsolete, unfit for performance, or unserviceable through no specific cause or as a consequence of normal use.

(b) Standard Form 120 (Report of Excess Personal Property) is used for serviceable, but idle or excess personal property that is to be transferred or disposed of.

(c) DD 200 (Financial Liability Investigation of Property Loss) is used for personal property that is damaged/unfit for performance but not through normal use (e.g. vandalism or abuse) or when personal property cannot be found because of loss, destruction, or other reason.

## **(2) Capital Asset Property System Entries**

(a) Gains/Losses. The carrying value for personal property that is damaged, obsolete, or excess shall be recorded at its NRV. Any difference in the book value of the personal property and the expected NRV shall be recognized as a gain or loss in the period of adjustment. The expected NRV shall be adjusted at the end of each accounting period, and any further adjustments in value shall be recognized as a gain or loss.

(b) Disposals. The difference between the net book value (acquisition cost less accumulated depreciation) and the amount realized from the sale, donation, or disposal shall be recorded as a gain or loss in the period the capitalized personal property is removed from service.

(c) Excess/Obsolete/Damaged Assets. No additional depreciation shall be taken on capitalized personal property identified as excess or obsolete. Depreciation shall continue for damaged capitalized personal property that is temporarily removed from service for repairs. No additional depreciation shall be taken for damaged capitalized personal property if DON plans to dispose of it.

## **(3) Property That is Obsolete, Unfit for Performance, or Unserviceable Through No Specific Cause or as a Consequence of Normal Use**

(a) The PPM shall request disposition instructions from the appropriate approving authority.

(b) The property and a signed DD 1348-1A will be taken to DRMO where the document is stamped/signed to verify receipt. [Note: An unsigned/unstamped (by DRMO) DD 1348-1A is not acceptable for retained personal property records.]

(c) The PPM shall remove the personal property from the personal property system using the date the DD 1348-1A was signed by DRMO as the disposal date.

(d) Periodically, the PPM shall obtain a listing of all assets received by DRMO from his/her activity and compare that listing to DPAS records. This will ensure all items sent to

DRMO were properly documented and processed in DPAS. The PPM should resolve any errors within 5 business days.

**(4) For Personal Property That is Still Serviceable, but is Idle or Excess**

(a) Disposition instructions should be requested from the responsible claimant and a Standard Form 120 (Report of Excess Personal Property) shall be generated.

(b) If the property is not desired by another activity it shall be disposed of in accordance with the procedures outlined above (paragraph 8b).

**(5) Property that is Damaged Beyond Economic Repair, Through Vandalism/Abusive Treatment or when Personal Property Cannot be Found Because of Loss, Destruction, or Other Reasons (e.g., Stolen, Missing, etc.)**

(a) The RO shall submit a DD 200 (Financial Liability Investigation of Property Loss) to the PPM for review and a determination as to whether further investigation is necessary. Once the investigation (if necessary) is completed the PPM forwards the document to the Commander for signature and approval. This applies to all personal property except sub-minor property that is not pilferable.

(b) Once the PPM obtains the approved DD 200 signed by the Commander, the property may be removed from the personal property system using the Commander's signature date as the disposal date.

(c) For capitalized property, the PPM is required to process the appropriate financial adjustment (loss) calculation for input into general ledger accounting system.

**(6) ADP Equipment Disposals.** ADP equipment disposals follow the above procedures for other disposals but must also meet additional requirements established by Defense Information System Agency and addressed under other guidance.

**(7) GME Disposals (USMC only)**

(a) The PPM shall initiate and coordinate the GME disposal process.

(b) GME should be disposed of when one of the following criteria are met:

1. Exceeds life expectancy in years,

2. Exceeds life expectancy in usage,
3. Exceeds one-time repair limit, and/or
4. Exceeds T/E allowance.

(c) When equipment meets criteria 8c(2)(a) and (b), the PPM may dispose of the asset and will inform HQMC (LFS) within 15 business days. When equipment meets criteria 8c(2)(c), the PPM will request disposal instructions from HQMC (LFS). The request will consist of a limited technical inspection (LTI) included with a cover letter.

(d) Upon approval of the disposition request, HQMC (LFS) will direct the activity to deliver the equipment to DRMO. The utilization code of the item will be changed by HQMC (LFS) to personal property awaiting disposal. The activity will delete the item from the personal property system but will maintain the records according to the DON record retention requirements (paragraph 4b).

(e) The DD 1348-1A (Issue Release/Receipt Document) will be sent to HQMC (LFS) to report compliance with instructions and to ensure the item is deleted from the HQMC GME file.

(f) Headquarters Marine Corps (LFS) shall publish supplemental instructions for the disposal of Garrison Mobile Equipment.



**Appendix A - Acronyms**

ADP	Automated Data Processing
BRAC	Base Realignment and Closure
CIP	Construction-in-Progress
CG	Commanding General
CO	Commanding Officer
DD	Department of Defense Forms
DoD	Department of Defense
DON	Department of the Navy
DFAS	Defense Finance and Accounting Service
DPAS	Defense Property Accountability System
DRMO	Defense Reutilization and Marketing Office
FGPE	Foreign Government Provided Equipment
FMO	Financial Management Office
FMR	Financial Management Regulations
FMV	Fair Market Value
GFE	Government Furnished Equipment
GME	Garrison Mobile Equipment
GSA	General Services Administration
HQMC	Headquarters Marine Corps
ISMO	Information System Management Office
IMPAC	International Merchant Purchase Agreement Card
LTI	Limited Technical Inspection
NAVCOMPTMAN	Navy Comptroller Manual
NBV	Net Book Value
NDE	National Defense Equipment
NRV	Net Realizable Value
NSN	National Stock Number
OM&S	Operating Materials and Supplies
PO	Purchase Order
PPE	Property, Plant and Equipment
PPM	Personal Property Manager
RO	Responsible Officer
T/E	Table of Equipment
UIC	Unit Identification Code
USMC	United States Marine Corps
WCF	Working Capital Fund

**Appendix B - Glossary****GLOSSARY****DEFINITIONS:**

1. **Acquisition Cost.** The costs paid to acquire and bring personal property to its form and location suitable for its intended.
2. **Ancillary Costs.** Significant, and identifiable costs that meet the capitalization criteria should be included in the capitalized costs. If ancillary costs are recorded on the invoice, then they should be included in the overall/capitalized costs.
3. **Base Realignment and Closure (BRAC).** The process authorized by Congress to determine which military installations should be closed and/or consolidated to execute the nation's defense strategy.
4. **Bulk Purchases.** Buying like personal property items in large quantities (i.e., multiple single personal property items acquired simultaneously).
5. **Capital Lease.** Leased property that meets capital lease criteria and capitalization criteria.
6. **Classified Items.** Personal property that requires protection in the interest of national security.
7. **Construction-in-Progress (CIP).** Property that is being developed or manufactured by an activity to eventually be used by the activity in the ordinary course of operations.
8. **Contractor-Acquired Personal Property.** Personal property purchased by a contractor for performing the terms of the contract. This property remains in possession of the contractor until completion of the contract at which time the title to the property returns to the government.
9. **Depreciation.** The accounting process of allocating capitalized personal property costs over time to an expense account in a systematic and rational manner.

10. **Depreciable Base.** The depreciable base for personal property shall equal acquisition cost of the item less the net estimated residual value.

11. **Depreciation activation date (Acquisition Date).** The date depreciation begins. For DON, the date the item is received shall be used.

12. **Donated Personal Property.** Personal property that is received from a non-Federal entity without exchange of Federal government consideration (e.g., cash payment); shall be accounted for as a transfer-in.

13. **Estimated Residual Value.** The estimated value that DON expects to recover from the capitalized property's disposal when it is removed from service.

14. **Exchanged Personal Property.** Personal property acquired by DON in a trade of personal property with a non-Federal entity.

15. **Fair Market Value.** The price for which an asset could be bought or sold in an arm's-length transaction between unrelated parties (i.e., between a willing buyer and a willing seller).

16. **Forfeited Personal Property.** Personal property acquired by DON through forfeiture proceedings.

17. **Form and Location.** All costs associated with bringing a personal property asset to its operational use at its intended location.

18. **Garrison Mobile Equipment (GME).** Headquarters, U.S. Marine Corps (HQMC), centrally managed Garrison Personal Property consisting of non-deployable commercially available owned, leased, or otherwise acquired passenger vehicles, cargo vehicles, material handling equipment, engineer equipment, and railway rolling stock, that is used to perform transportation, maintenance and administrative functions of Marine Corps, Bases, Posts, and other Activities.

19. **Garrison Personal Property.** Marine Corps owned or leased non-deployable tangible general personal property (i.e., vehicles) that are used to provide general government services or goods in the support of end item development, maintenance, storage, and or in the garrison mission of Marine Corps, Bases, Stations, Posts, and other Activities.

20. **General Fund.** DON funds that include activities related to funds authorized and appropriated by Congress and apportioned by OMB.

21. **Government Furnished Equipment (GFE).** Personal property owned by DON and provided to a contractor for use.

22. **Impairment.** Recognition that personal property is no longer expected to provide substantive service potential and will be removed from service, or when a significant reduction occurs in the capabilities, functions, or uses of the personal property.

23. **Indirect Costs.** Ancillary costs that are allocable and included in the personal property acquisition cost.

24. **Industrial Plant Equipment.** Personal property primarily utilized for the purpose of cutting, grinding, shaping, forming, joining, testing, measuring, heating, treating, or otherwise altering the physical, electrical, or chemical properties of materials, components, or end items.

25. **Lease.** There are two types of leases; capital and operating. Capital Leases meet one or more of the capital lease criteria (paragraph 7k(1)(a)). Operating Leases are leases that do not transfer the risks of ownership to DON. The following terminology refers to capital leases;

(1) **Bargain Purchase Option.** A lessee's option to purchase leased personal property that is sufficiently lower than the expected fair value of the personal property at the date the option becomes exercisable. At the inception of the lease, it is reasonably assured that the option will occur.

(2) **Lease Term.** The fixed non-cancelable term of the lease plus all periods, if any, representing renewal or extension of the lease that reasonably be expected to be taken.

(3) **Lease Recovery Period (Estimated Economic Life).** The estimated remaining period during which the personal property is expected to be economically usable by one or more users, with normal repairs and maintenance, for the purpose for which it was intended at the inception of the lease, without limitation by the lease term.

(4) **Non Cancelable Lease.** A lease that is only cancelable on the occurrence of a remote contingency. Funds not appropriated by Congress, in future years, to cover the lease is considered a remote contingency.

(5) **Renewal or Extension of a Lease.** The continuation of a lease agreement beyond the original lease term, including a new lease under which a lessee continues to use the same personal property.

(6) **Implicit Interest Rate.** The discount rate in a lease that, when applied to the minimum lease payments, causes the aggregate present value to be equal to the fair value of the leased personal property to the lessor.

(7) **Incremental Borrowing Rate.** The rate that, at the inception of the lease, DON would have incurred to borrow the funds necessary to purchase the leased personal property on a secured loan, with repayment terms similar to the payment schedule called for in the lease.

(8) **Minimum Lease Payments.** Payments that DON is obligated to make, or can be expected to make, in connection with leased personal property.

26. **Net Book Value.** The original cost of a capital asset minus the accumulated depreciation recorded to date on the capital asset equals an assets net book value.

27. **Net Realizable Value (NRV).** Fair market value less the cost to sell or dispose of the asset.

28. **Pilferable Personal Property Items.** Items that could easily be converted to personal use and are (1) critical to fulfilling the activity's mission/business objective; and (2) hard to repair or replace.

29. **Recovery Period (Estimated Useful Life/Shelf Life).** The estimated duration of time that a personal property item can provide benefit to an entity's ongoing operations.

30. **Refurbishments.** The complete overhaul of personal property that extends the life of the personal property. This cost is capitalized if the cost is greater than or equal to the capitalization criteria (paragraph 1b(1)(a)) and the refurbishment extends the life of the personal property by at least two years.

31. **Repairs.** Changes in the ordinary course of operations to maintain personal property in a working condition. Repairs do not generally extend the useful life of the personal property and are expensed when incurred.

32. **Sensitive Personal Property Items.** Personal property items requiring special protection from disclosure which could cause embarrassment, compromise, or threat to the security of the sponsoring entity.

33. **Pushed/Sponsored Owned Personal Property.** Any personal property purchased by a higher entity (such as a Major Claimant)

and forwarded (or "pushed") to a lower level (such as an activity).

34. **System Personal Property.** Personal property items organized together to perform a specific function or task. The completion of the function or task would not occur if the personal property items are used separately.

35. **Transferred Personal Property.** Personal property that DON receives from (transferred-in) or provides to (transfer-out) another Federal entity without providing/receiving monetary funds in return.

36. **Working Capital Fund (WCF).** Revolving funds used by activities that charge their customers stabilized rates and prices to cover the cost of goods/services provided.

### SIMILAR ASSETS/ESTIMATED FMV WORKSHEET

**Purpose:** To document the estimated acquisition cost and date for personal property items lacking proper substantiating documentation. This worksheet, when properly completed, serves as a substitute for original acquisition documentation and should be used when all attempts to locate actual documentation have been exhausted. Required for capitalized property; optional for other property.

#### A. Personal Property General Information:

UIC: \_\_\_\_\_  
 Command: \_\_\_\_\_  
 Responsible Officer (Hand Receipt Holder): \_\_\_\_\_  
 Document Number: \_\_\_\_\_  
 Nomenclature/Location: \_\_\_\_\_  
 National Stock Number (NSN): \_\_\_\_\_  
 Serial Number: \_\_\_\_\_  
 Manufacturer: \_\_\_\_\_  
 Bar Code Number: \_\_\_\_\_  
 Method of Acquisition:  
 Purchase\_\_\_\_ Requisition\_\_\_\_ Transfer\_\_\_\_ Donated\_\_\_\_ Found\_\_\_\_

#### B. Similar Asset Comparison:

Location of similar asset: \_\_\_\_\_  
 Command owning similar asset: \_\_\_\_\_

Similar asset comparison:

	<u>Personal Property Asset</u>	<u>Similar Asset</u>
Nomenclature:	_____	_____
NSN:	_____	_____
Serial Number:	_____	_____
Manufacturer:	_____	_____
Model:	_____	_____
Model Year:	_____	_____
Description of Function:	_____	_____
Acquisition Cost:	_____	_____
Depreciation activation date:	_____	_____

#### C. Determined Acquisition Cost:

1. If the assets are similar, obtain copies of the acquisition documentation for the similar asset and attach to this worksheet. Record the following information below:

Acquisition Cost: \_\_\_\_\_  
 Other Costs: (paragraph 5b). \_\_\_\_\_  
 Total \_\_\_\_\_

2. If a similar asset can not be located, estimate the fair market value for the personal property as of the date acquired. Use one or more of the following sources in determining a fair market value:

<u>Source</u>	<u>Company</u>	<u>Contract Nbr.</u>	<u>Acq. Cost</u>	<u>Date</u>
FEDLOG Price:	<u>FEDLO</u>	<u>N/A</u>	<u></u>	<u></u>
GSA Schedule Price:	<u></u>	<u></u>	<u></u>	<u></u>
Vendor Quote:	<u></u>	<u></u>	<u></u>	<u></u>
DPAS Catalog Price:	<u>DPAS Catalog</u>	<u>N/A</u>	<u></u>	<u></u>

### SIMILAR ASSETS/ESTIMATED FMV WORKSHEET

3. Record the following information below:

Estimated FMV: \_\_\_\_\_  
 Other Costs (paragraph 5a) \_\_\_\_\_  
 Total \_\_\_\_\_

#### D. Recovery Period (paragraph 5):

**E. Determined Depreciation activation date:**

1. If the assets are similar, obtain copies of the acquisition documents for the similar asset. Record the information in number 2 below.

2. If substantiating acquisition documentation is not available, obtain the depreciation activation date in the following order:

	Document Nbr.	Date
Source:		
Transfer Date on DD 1149 for transfers:		
Shipping Date:		
Inspection Date:		
Date Found:		
Determined Depreciation activation date:		

### F. Documentation Requirements:

File this document as the original acquisition documentation in accordance with DON Personal Property Policies and Procedures Manual. The following documentation should be included if available:

Similar Asset: Procurement Documentation, Invoice, and Receiving Report

Comparable Value Research: Printout of Catalog Entry in DPAS or

Printout of FEDLOG Entry or

Copy of relevant GSA Schedule or

Copy of vendor quote

Depreciation activation date: DD 1149

# Shipping Invoice

## Inspection Certification

Copy of physical inventory (during which the personal property was found)

**Certification:**

I certify that the personal property information recorded above is accurate to the best of my knowledge.

Name	Activity	Signature	Date
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**DIRECTIONS FOR APPENDIX C (SIMILAR ASSETS/ESTIMATED FMV WORKSHEET):**Purpose:

To estimate the acquisition cost and date of a personal property item when the original documentation cannot be obtained. This worksheet serves as a substitute for the original documentation that substantiates acquisition cost and date, both necessary for financial reporting purposes.

Section A (Personal Property General Information):

This information is required to accurately identify the asset. This information should be obtained through physical examination, observation, and inquiries with command personnel.

Section B (Similar Asset Comparison):

This section allows the activity to estimate the acquisition cost and useful life of the personal property item. It is important that every effort is made to ensure that the similar asset is a close match.

Once a similar asset is found, asset documentation (if available) should be obtained to substantiate acquisition cost and date.

If a similar asset can not be located, Step 2 of Section C should be completed.

Section C (Determined Acquisition Cost):

If copies of the acquisition documentation of the similar asset are available, record the acquisition cost and recovery period in Step 1.

If a similar asset cannot be located, estimate the fair market value of the asset by using other sources of pricing information (e.g., FEDLOG, GSA acquisition schedules, vendor quotes, DPAS catalog). Obtaining this information may require consultation with other activity personnel (e.g., Comptroller, Contracting Officer, Personal Property Managers).

Document the source of the estimated fair market value information and record the value amount and recovery period in Step 3 of this section.

Section D (Determined Depreciation activation date):

If acquisition documentation for the similar asset was available, record the depreciation activation date on the lines listed in Step 2.

If substantiating documentation could not be obtained for the similar asset, the depreciation activation date shall be

determined by judgmentally selecting the most appropriate date from step 2.

Section E (Documentation Requirements):

File the worksheet and all the supporting documentation in accordance with Section 4.a of this instruction.

Certification:

The preparer of this worksheet shall sign and date this worksheet to certify the accuracy of the information.

**ESTIMATED RESIDUAL VALUE WORKSHEET****Subject: Estimated Residual Value Calculation****FOR USE WITH CAPITALIZED PERSONAL PROPERTY ONLY**

Activity Name \_\_\_\_\_ Estimated Residual Value \$ \_\_\_\_\_

Asset Bar Code No. \_\_\_\_\_ Less: Estimated Disposal Cost \$ \_\_\_\_\_

Type of Asset \_\_\_\_\_ Total Net Estimated Residual Value \$ \_\_\_\_\_

COST OF ASSET \$ \_\_\_\_\_

Depreciation activation date \_\_\_\_\_

Document below how the Net Estimated Residual Value was determined:

---

**Signature****Preparer** \_\_\_\_\_**Date** \_\_\_\_\_**Supervisor** \_\_\_\_\_**Date** \_\_\_\_\_

**SUGGESTED DIRECTIONS FOR COMPLETING THE PERSONAL PROPERTY  
ESTIMATED RESIDUAL VALUE WORKSHEET:**

**Purpose:**

To calculate the estimated residual value of personal property that requires capitalization. This worksheet needs to be completed when a personal property item meets the capitalization criteria noted in Section 1b(1)(a) of the DON Personal Property Policies and Procedures Manual.

The estimated residual value is the approximate amount the activity will recover upon the sale or disposal of the personal property item, less estimated disposal costs at the end of its useful life. If the calculated estimated residual value, less estimated disposal costs is **LESS THAN 10 PERCENT** of the personal property's acquisition cost, the estimated residual value shall be **ZERO**. If the calculated estimated residual value, less estimated disposal costs is **GREATER THAN OR EQUAL TO 10 PERCENT** of the personal property's acquisition cost, the preparer shall ensure the calculated estimated residual value is recorded in the personal property system.

**Procedures:**

The preparer of this worksheet shall obtain the acquisition cost, depreciation activation date, and type of asset from the original acquisition documentation. Physical examination of the personal property item can be used to obtain the personal property's description and bar code number. Consultation with a Personal Property Manager may be necessary if the personal property has not received a bar code number when this worksheet is prepared.

The preparer may need to consult with other activity personnel (e.g., Contracting Officer, Comptroller, Personal Property Manager) to obtain an estimated residual value and estimated disposal costs. Calculate the net estimated residual value in the space located on this worksheet and record the information in the appropriate spaces. Compare the net estimated residual value with the acquisition cost.

The preparer shall sign and date this worksheet. A supervisor shall also sign this worksheet to ensure the accuracy of the calculation. The preparer shall include all documentation that supports the amounts recorded on this worksheet.

## LEASE DETERMINATION WORKSHEET

Requisition Number: \_\_\_\_\_

Purchase Order/Contract Number: \_\_\_\_\_

Description of Leased Property: \_\_\_\_\_

### **PART I - Operating Lease Determination**

**Answer the following applicable questions and follow the directions provided.**

**Yes      No**

☐
☐

1. Is the total lease term **less** than or equal to 1 year? (Lease term includes fixed period and options).

If the answer to the above question is **yes**, the lease is classified and recorded as an operating lease. Complete Part III of *Lease Determination Worksheet*; place the *Lease Determination Worksheet* in the file; forward a copy of the *Lease Determination Worksheet* to the PPM; and you are done.

**Yes      No**

☐
☐

2. Are the total **minimum** lease payments for each item leased (not including executory costs) less than \$100,000? (Add total payments, excluding executory costs, for all terms in the lease agreement).

If the answer to the above question is **yes**, the lease is classified and recorded as an operating lease. Complete Part III of the *Lease Determination Worksheet*; place the *Lease Determination Worksheet* in the file; forward copy of the *Lease Determination Worksheet* to the PPM; you are done.

**Yes      No**

☐
☐

3. Is the lease term **greater** than or equal to 2 years? (Lease term includes fixed period and options).

If the answer to the above question is **yes** then continue to Part II of the Lease Determination Worksheet. If you answered no to question number 3, the lease shall be classified as an operating lease. Information regarding future minimum lease payments shall be captured for footnote disclosure requirements. Complete Part III of the *Lease Determination Worksheet* and Part I of the *Data Element Worksheet*; place the *Lease Determination Worksheet* and the *Data Element Worksheet* in the file and forward copies to the PPM.

**DON's Policy Regarding Leases**

Lease Term	Total Lease Payments <sup>1</sup>	Capital Lease Criteria Met	Lease Type	Financial Statement Reporting Requirements
≤ 1 year	N/A	N/A	Operating	None
> 1 year	< \$100,000	N/A	Operating	None
1 year, but < 2 years	≥ \$100,000	N/A	Operating	Future Minimum Lease Payments
≥ 2 years	≥ \$100,000	No	Operating	Future Minimum Lease Payments
≥ 2 years	≥ \$100,000	Yes	Capital	Asset property and offsetting capital lease liability: Future minimum lease payments ( <i>funded &amp; unfunded</i> ), Imputed interest, Executory costs

**PART II - Capital Lease Determination**

If the answer to one or more of the following questions is yes, the lease shall be classified as a capital lease.

Complete Part III below and Part I and II of the Data Element Worksheet; place the Lease Determination Worksheet and the Data Element Worksheet in the file and forward copies of each to the PPM.

**Yes      No**

☐
☐

1. Does the lease transfer ownership of property to the DON activity at the end of the lease term?

☐
☐

2. Is there an option to purchase the property at a bargain price?

Complete Part II of the Data Element Worksheet, Section A, to document answer to criteria 3 and Section B to document answer to criteria 4. (Note: Criteria 3 and 4 below do not apply if the beginning of the lease term falls within the last 25 percent of the total remaining estimated economic recovery period of the personal property. See Section A of Part II of the Data Element Worksheet for determination.)

<sup>1</sup> Defined as "Total Minimum Lease Payments" (*excluding executory costs*).

Yes      No

☐
☐

1. Is the lease term **equal to or greater than 75 percent** of the remaining economic recovery period of the personal property? (paragraph 5b(5)).

☐
☐

2. Is the net present value of rental and other lease payments excluding executory costs (i.e., insurance and maintenance cost) **equal to or greater than 90 percent** of the fair market value of the leased personal property.

(For specific assistance in properly calculating the present value of rental and other minimum lease payments, Contracting Officers are directed to the point of contact designated by the Head of the Contracting Office servicing the DON activity.)

If all of the answers to the above questions are no, the lease shall be classified as an operating lease. Complete Part III of the *Lease Determination Worksheet* and Part I of the Data Element Worksheet; place the *Lease Determination Worksheet* and *Data Element Worksheet* in the file and forward copies of each to the PPM.

### **PART III - Lease Determination, and Distribution**

Determination:

Operating Lease:

☐

Capital Lease:

☐

Signature of

Preparer: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_ Telephone #: \_\_\_\_\_

Distribution:

1. File

2. If Part I, question 3 or Part II is completed, distribute copies of the *Lease Determination Worksheet* and the *Data Element Worksheet* to the PPM.

3. If it is a Capital Lease, distribute copies of the *Lease Determination Worksheet* and the *Data Element Worksheet* to the PPM.

**INSTRUCTIONS FOR COMPLETING THE LEASE DETERMINATION WORKSHEET:****Purpose:**

This worksheet shall be used whenever an activity leases personal property. This worksheet documents the determined lease classification (capital or operating).

**Procedures:**

This worksheet will be completed by the contracting officer at the time of contract award. The preparer shall obtain the lease documentation to record the requisition number, purchase order/contract number, and description of leased personal property.

**Part I (Operating Lease Determination):**

Refer to lease documentation to answer the questions asked in Part I. Questions 1 and 3 deal with the length of the lease, and Question 2 deals with the total minimum lease payments (excluding executory costs).

If the preparer answers "Yes" to Questions 1 or 2, or "No" to Question 3, the lease is automatically considered an operating lease; Part II shall not be completed, and the preparer shall complete Part III.

**NOTE:** Part II shall be completed if the preparer answers "Yes" to Question 3. If any of the four questions in Part II are "Yes," then the lease is capital.

**Part II (Capital Lease Determination):**

The preparer shall obtain a copy of the **Data Element Worksheet** (Appendix F of the DON Personal Property Policies and Procedures Manual) to document the answers completed in Part II of the **Lease Determination Worksheet**.

To answer Questions 1 and 2, the preparer shall review the lease documentation to determine if the lease "transfers ownership" or provides an option for a "bargain purchase option." If the answer to one or both questions is "Yes," the lease is capital. The preparer shall complete Part III of the **Lease Determination Worksheet** and complete Parts I and III of the **Data Element Worksheet**. Upon completion of these worksheets, the preparer shall forward copies to the PPM for inputting into the personal property system.

To answer Questions 3 and 4, the preparer shall use steps outlined in Part II, Section A of the **Data Element Worksheet**, which will provide documentation supporting the answer to Question 3 of Part II of the **Lease Determination Worksheet**.



Section B of Part II of the **Data Element Worksheet** will provide documentation supporting the answer to Question 4 of Part II of the **Lease Determination Worksheet**.

Refer to the steps on completing Part II of the **Data Element Worksheet** listed below.

Part III (Lease Determination, and Distribution):

The preparer shall check the box that corresponds to the type of lease (capital or operating) the activity entered in for the personal property. The preparer shall also sign and date this worksheet and distribute to the parties listed on the worksheet.

**DATA ELEMENT WORKSHEET**

Requisition Number: \_\_\_\_\_

Purchase Order/Contract Number: \_\_\_\_\_

Description of leased personal property: \_\_\_\_\_

**PART I. FUTURE MINIMUM LEASE PAYMENTS (CAPITAL OR OPERATING)**

Minimum Lease payments are due under the terms of the lease for future years. For example, if the DON enters into a 15-year lease in fiscal year (FY) 2000 for \$10,000 per year, the future minimum lease payments are: *(Note: The current year amount was expensed in FY 2000, therefore it is not necessary to include this amount in the minimum lease payments.)*

Fiscal Year	\$ Amounts	Fiscal Year	\$ Amounts	Fiscal Year	\$ Amounts
2001	\$10,000	2006	\$10,000	2011	\$10,000
2002	\$10,000	2007	\$10,000	2012	\$10,000
2003	\$10,000	2008	\$10,000	2013	\$10,000
2004	\$10,000	2009	\$10,000	2014	\$10,000
2005	\$10,000	2010	\$10,000	2015	<u>\$10,000</u>
TOTAL					\$150,000

Enter the future minimum lease payments for the entire remaining lease term (include options years). Do not include fiscal year of award.

<u>Fiscal</u> <u>Year</u>	<u>Gross Minimum</u> <u>Lease Payments</u>	<u>Executory</u> <u>Costs</u>	<u>Fiscal</u> <u>Year</u>	<u>Gross Minimum</u> <u>Lease Payments</u>	<u>Executory</u> <u>Costs</u>
1. _____	_____	_____	11. _____	_____	_____
2. _____	_____	_____	12. _____	_____	_____
3. _____	_____	_____	13. _____	_____	_____
4. _____	_____	_____	14. _____	_____	_____
5. _____	_____	_____	15. _____	_____	_____
6. _____	_____	_____	16. _____	_____	_____
7. _____	_____	_____	17. _____	_____	_____
8. _____	_____	_____	18. _____	_____	_____
9. _____	_____	_____	19. _____	_____	_____
10. _____	_____	_____	20. _____	_____	_____

Attach description of the lease to this worksheet (*term, agreements, etc.*).<sup>1</sup>

**DON Major Classes of Fixed Assets**

Equipment	ADP Software	Assets Under Capital Lease	Other
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<sup>1</sup> Disclose the level of the agency's funding commitments, including but limited to, the major assets categories and such lease terms as the existence and terms of renewal options, escalation clauses, restrictions imposed by lease agreements, contingent rentals, and the amortization period as the description of the lease agreement.

**DATA ELEMENT WORKSHEET****PART II - Capital Lease Information**

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**A. Determine the remaining estimated recovery period (paragraph 7a) and the lease term period.**

1. Enter the remaining recovery period: \_\_\_\_\_

2. Enter the lease term: \_\_\_\_\_

3. Enter the total estimated recovery period: \_\_\_\_\_

4. If leased personal property is not new, is the remaining estimated recovery period within the last 25 percent of the total estimated recovery *period* (i.e., *remaining recovery period* > 25 percent)? If **yes** then only evaluate this lease using the first two capitalization criteria (Questions 1 or 2) on Part II of the ***Lease Determination Worksheet***. If **no**, then evaluate using criteria 3 and 4.

**Yes**                      **No**

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☐

5. Is the lease term greater than or equal to 75 percent of the remaining estimated recovery period of the asset?  
(The answer shall be the same as criteria number 3 on the Lease Determination Worksheet.)

☐
☐
**B. Determine the present value; of rental and other minimum lease payments.**

*(Note: This section is N/A if the remaining economic life is within the last 25 percent of the recovery period (i.e., answer to question number 4, Section A is yes)).*

1. Enter the total amount of rental and other minimum lease payments. (Do not include executory costs).

2. Enter the scheduled payment terms and amount.  
(Do not include executory costs)

Illustration: \$833.33 per month, due at the beginning of the Period (annuity due); or \$10,000.00 per year due at the end of the period (ordinary annuity).

3. Enter the scheduled payment periods:

Illustration: 10 years with 12 payments per year = 120 periods.

4. Enter the lesser of the Treasury's interest rate, or the lessor's interest rate in effect over the life of the lease.

5. Compute the present value of rental and other minimum lease payments. (Make sure you use the correct present value table or calculation - "annuity due "or "ordinary annuity ") \_\_\_\_\_

6. Enter the fair market value of the leased personal property. (Maintain supporting documentation on how this was calculated/determined.) \_\_\_\_\_

7. Is the present value of the rental and other minimum lease payments equal to or greater than 90 percent of the fair market value of the leased personal property? (The answer shall be the same as criteria number 4 on the Lease Determination Worksheet.)

**Yes**      **No**

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

**C. Determine the amount of the future lease payments that are funded and unfunded.**

1. Enter the future minimum lease payments that are funded. \_\_\_\_\_

2. Enter the future minimum lease payments that are unfunded. \_\_\_\_\_

**D. Determine the proper amortization period.**

**Yes**      **No**

1. Did the lease meet capitalization criteria number 1 or 2 in Part II of the Lease Determination Worksheet? If yes, the asset is amortized over the remaining recovery period of the asset. Enter the remaining estimated recovery period of the asset, and do not answer the next question.

<input type="checkbox"/>	<input type="checkbox"/>
--------------------------	--------------------------

2. Did the lease meet capitalization criteria number 3 or 4 in Part II of the *Lease Determination Worksheet*? If yes, the asset is amortized over the lease term or life of asset, whichever is less. Enter the lease term or life of the asset, whichever is less.

<input type="checkbox"/>	<input type="checkbox"/>
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**PART III – Signature**

Signature of Preparer: \_\_\_\_\_ Date: \_\_\_\_\_

Title: \_\_\_\_\_ Telephone: \_\_\_\_\_

Distribution:

1. File

2. If Part I question 3 or Part II is completed distribute copies of the *Lease Determination Worksheet* and the *Data Element Worksheet* to the PPM.

**INSTRUCTIONS FOR COMPLETING THE DATA ELEMENT WORKSHEET:****Purpose:**

This worksheet shall be prepared when an activity enters into a lease for personal property that is over 1 year and/or greater than \$100,000. When completed, this worksheet will provide information on future minimum lease payments and provide documentation supporting the proper lease classification (capital or operating).

**Part I (Future Minimum Lease Payments):**

**NOTE:** This part shall be prepared, regardless of the type of lease the activity entered into (unless the answer to Questions 1 or 2 is "Yes" or Question 3 is "No" on the **Lease Determination Worksheet**). The future minimum lease payments shall be reported on an annual basis. If the lease payments are made on a monthly basis, the preparer shall multiply the lease payment amount by 12 to obtain the annual lease payment.

The preparer can obtain the lease payments (monthly or annual) by referring to the lease documents. A lease payment schedule may be included with the lease documents and could be used to help complete Part I.

Upon completion of Part I, the preparer shall include all documentation supporting the minimum lease payments with the **Data Element Worksheet**.

**Part II (Capital Lease Information):**

If the preparer determined that the lease was an operating lease, Part II does not need to be completed. The preparer needs to sign the **Data Element Worksheet**, provide the requested information in Part III, and distribute to the parties listed.

If the preparer determined that the lease was a capital lease because of a transfer of ownership upon the completion of the lease clause and/or a bargain purchase option, only Sections C and D of Part II need to be completed. The preparer only needs to sign the **Data Element Worksheet**, provide the requested information in Part III, and distribute to the parties listed. The preparer may need to consult with other activity personnel (e.g., Comptroller, Contracting Officer, Personal Property Manager) to determine the amount of the future lease payments that are funded and unfunded.

However, if the estimated recovery period and/or minimum lease payment tests need to be completed to determine whether the lease is a capital or operating lease, Parts II and III need to be completed.

Section A of Part II documents how the estimated recovery period and the lease term period were determined, which will answer Question 3 of Part II of the **Lease Determination Worksheet**.

Section B of Part II documents how the present value of rental and other minimum lease payments were determined, which will answer Question 4 of Part II of the **Lease Determination Worksheet**.

To complete Section A of Part II, the preparer shall refer to the lease documentation for the requested information. If the remaining and total estimated recovery periods are not noted in the lease documentation, the preparer may need to consult with other activity personnel (e.g., Comptroller, Contracting Officer) and/or other resources (e.g., DPAS catalog).

After obtaining the recovery period and lease term information, make the necessary calculations requested in Section A.<sup>1</sup>

The preparer need to consult with the lease documentation to obtain the monthly/annual lease payments, the number of monthly/annual payments, fair market value of the personal property, and the lessor's interest rate. The preparer will need to consult with other activity members (e.g., Contracting Officer, Comptroller) to obtain the Treasury interest rate. Enter the information in the proper spaces on the worksheet.

To calculate the present value of rental and minimum lease payments, the preparer shall make sure the correct present value table is used. If the activity makes monthly lease payments, use the "Present Value of an Annuity Due of \$1" table, and if the activity makes annual lease payments, use the "Present Value of an Ordinary Annuity of \$1" table.

To obtain the proper present value factor, the preparer finds the proper interest rate (vertical) and number of payments (monthly or yearly) [horizontal] on the table. The point where the two lines intersect is the proper present value factor needed to complete the calculation.

To calculate the net present value of the minimum lease payments, the preparer multiplies the lease payment (without executory costs) by the present value factor. Compare the calculation with the fair market value of the leased personal property. If the net present value of the minimum lease payments is greater than or equal to 90 percent of the fair market value of the leased personal property, the lease is classified as a capital lease.

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<sup>1</sup> If the remaining estimated recovery period is less than 25 percent, then the lease is automatically classified as an operating lease, and the remaining sections of Part II do not need to be completed. If the lease term is greater than or equal to 75 percent of the remaining estimated recovery period, then the lease is a capital lease, and Part B of Section II does not need to be completed.

Part III (Authorization):

The preparer shall sign and provide the applicable information after completing the applicable sections in Parts I and II.

PRESENT VALUE OF AN ORDINARY ANNUITY OF 1

This table shows the present value of an ordinary annuity of \$1 at various interest rates and for various rents. The table may be used to find the present value of an ordinary annuity of any dollar amount by multiplying the dollar amounts of the rents by the factor corresponding to the appropriate interest rate (i) and the number of rents (n).

N	3%	4%	5%	6%	8%	10%	12%	16%
1	0.9709	0.9615	0.9524	0.9434	0.9259	0.9091	0.8929	0.8621
2	1.9135	1.8861	1.8594	1.8334	1.7833	1.7355	1.6901	1.6052
3	2.8286	2.7751	2.7232	2.6730	2.5771	2.4869	2.4018	2.2459
4	3.7171	3.6299	3.5460	3.4651	3.3121	3.1699	3.0373	2.7982
5	4.5797	4.4518	4.3295	4.2124	3.9927	3.7908	3.6048	3.2743
6	5.4172	5.2421	5.0757	4.9173	4.6229	4.3553	4.1114	3.6847
7	6.2303	6.0021	5.7864	5.5824	5.2064	4.8684	4.5638	4.0386
8	7.0197	6.7327	6.4632	6.2098	5.7466	5.3349	4.9676	4.3436
9	7.7861	7.4353	7.1078	6.8017	6.2469	5.7590	5.3283	4.6065
10	8.5302	8.1109	7.7217	7.3601	6.7101	6.1446	5.6502	4.9332
11	9.2526	8.7605	8.3064	7.8869	7.1390	6.4951	5.9377	5.0286
12	9.9540	9.3851	8.8633	8.3838	7.5361	6.8137	6.1944	5.1971
13	10.6350	9.9856	9.3936	8.8527	7.9038	7.1034	6.4235	5.3423
14	11.2961	10.5631	9.8986	9.2950	8.2442	7.3667	6.6282	5.4675
15	11.9379	11.1184	10.3797	9.7122	8.5595	7.6061	6.8109	5.5755
16	12.5611	11.6523	10.8378	10.1059	8.8514	7.8237	6.9740	5.6685
17	13.1661	12.1657	11.2741	10.4773	9.1216	8.0216	7.1196	5.7487
18	14.3238	13.1339	12.0853	11.1581	9.6036	8.3649	7.3658	5.8775
19	14.3238	13.1339	12.0853	11.1581	9.6036	8.3649	7.3658	5.8775
20	14.8775	13.5903	12.4622	11.4699	9.8181	8.5136	7.3694	5.9288
21	15.4150	14.0292	12.8212	11.7641	10.0168	8.6487	7.5620	5.9731
22	15.9369	14.4511	13.1630	12.0416	10.2007	8.7715	7.6446	6.0113
23	16.4436	14.8568	13.4886	12.3034	10.3711	8.8832	7.7184	6.0442
24	16.9355	15.3470	13.7986	12.5504	10.5288	8.9847	7.7843	6.0726
25	17.4132	15.6221	14.0939	12.7834	10.6748	9.0770	7.8431	6.0971
30	19.6004	17.2920	15.3725	13.7648	11.2578	9.4269	8.0552	6.1772
50	25.7298	21.4822	18.2559	15.7619	12.2335	9.9148	8.3045	6.2463



PRESENT VALUE OF AN ANNUITY DUE OF \$1

This table shows the present value of an annuity die of \$1 at various rates of interest and for various numbers of rents. The table may be used to find the present value of an annuity due of any dollar amount by multiplying the dollar amount of the rents by the appropriate factors corresponding to the interest rate (i) and the number of rents (n).

N	3%	4%	5%	6%	8%	10%	12%	16%
1	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000	1.0000
2	1.9709	1.9615	1.9524	1.9434	1.9259	1.9091	1.8929	1.8621
3	2.9135	2.8861	2.8594	2.8334	2.7833	2.7355	2.6901	2.6052
4	3.8286	3.7751	3.7232	3.6730	3.5771	3.4869	3.4018	3.2459
5	4.7171	4.6299	4.5460	4.4651	4.3121	4.1699	4.0373	3.7982
6	5.5797	5.4518	5.3295	5.2124	4.9927	4.7908	4.604	4.2743
7	6.4172	6.2421	6.0757	5.9173	5.6229	5.3553	5.1114	4.6847
8	7.2303	7.0021	6.7864	6.5824	6.2064	5.8684	5.5638	5.0386
9	8.0197	7.7327	7.4632	7.2098	6.7466	6.3349	5.9676	5.3436
10	8.7861	8.4353	8.1078	7.8017	7.2469	6.7590	6.3283	5.6065
11	9.5302	9.1109	8.7217	8.3601	7.7101	7.1446	6.6502	5.8332
12	10.2526	9.7605	9.3064	8.8869	8.1390	7.4951	6.9377	6.0286
13	10.9540	10.3851	9.8633	9.3838	8.5361	7.8137	7.1944	6.1971
14	11.6350	10.9857	10.3936	9.8527	8.9038	8.1034	7.4235	6.3423
15	12.2961	11.5631	10.8986	10.2950	9.2442	9.3667	7.6282	6.4675
16	12.9379	12.1184	11.3797	10.7123	9.5595	8.6061	7.8109	6.5755
17	13.5611	12.6523	11.8378	11.1059	9.8514	8.8237	7.9740	6.6685
18	14.1661	13.1657	12.2741	11.4773	10.1216	9.0216	8.1196	6.7487
19	14.7535	13.6593	12.6896	11.8276	10.3719	9.2014	8.2497	6.8178
20	15.3238	14.1339	13.0853	12.1581	10.6036	9.3649	8.8365	6.8775
21	15.8775	14.5903	13.4622	12.4699	10.8182	9.5136	8.4694	6.9288
22	16.4150	15.0292	13.8212	12.7641	11.0168	9.6487	8.5620	6.9731
23	16.9369	15.4511	14.1630	13.0416	11.2007	9.7715	8.6446	7.0113
24	17.4436	15.8568	14.4886	13.3034	11.3711	9.8832	8.7184	7.0442
25	17.9355	16.2470	14.7986	13.5504	11.5288	9.9847	8.7843	7.0726
30	20.1885	17.9837	16.1411	14.5907	12.1584	10.3696	9.0218	7.1656
50	26.5017	22.3415	19.1687	16.7076	13.2122	10.9063	9.3010	7.2457